

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2009-____-G

In the Matter Of)	
)	
Application of Piedmont Natural Gas)	<u>PETITION</u>
Company, Inc. for Approval of Energy)	
Efficiency Programs)	

Piedmont Natural Gas Company, Inc. ("Piedmont"), through counsel and pursuant to S.C. Code § 58-37-20, hereby requests approval by the Public Service Commission of South Carolina ("Commission") of three proposed energy efficiency programs described herein and attached hereto. In support of this request, Piedmont respectfully shows unto the Commission as follows:

1. Any notices or other communications with respect to this Petition should be sent to:

Jane Lewis-Raymond
Vice President and General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, NC 28233
Telephone: (704) 364-4261

And

Scott M. Tyler
Moore & Van Allen PLLC
100 N. Tryon Street
Charlotte, North Carolina, 28202-4003
Telephone: (703) 331-1000

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. It is duly domesticated and is engaged in conducting the business

above-mentioned in the states of South Carolina, North Carolina and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

3. Section 58-37-20 of the South Carolina Code authorizes this Commission to approve energy efficiency programs sponsored by natural gas utilities in this State, as well as recovery of the costs thereof from the utility's customers, who are the beneficiaries of these programs.

4. In the recent Energy Infrastructure and Security Act of 2007 ("EISA 2007") proceeding, Docket No. 2008-447-EG, Piedmont expressed its opinion that issues regarding utility sponsored conservation efforts should be addressed in individual company-specific proceedings. In her testimony in the hearing of that docket, Piedmont witness Pia Powers testified that Piedmont would be filing proposed energy efficiency plans with the Commission in the near future.

5. This filing by Piedmont constitutes an individual company-specific proceeding and the filing of proposed programs by Piedmont fulfills Ms. Powers' promise to the Commission at the EISA 2007 hearing.

6. In this docket, Piedmont submits to the Commission for review and respectfully requests Commission approval of the three natural gas energy efficiency programs attached hereto as Exhibit A.

7. These three programs consist of: (1) a Customer Education Program; (2) a Low-Income Energy Efficiency Program; and (3) a High-Efficiency Equipment Rebate Program. A description of these three programs as well as the annual amount proposed to be expended on each is set forth in Exhibit A.

8. With respect to the operation and funding of these programs, Piedmont requests authorization to expend and recover from its customers an annual cost of \$350,000 for these

three programs. These costs will be included in Piedmont's cost of service and recovered, on a delayed basis, through Piedmont's annual RSA filing process..

9. Piedmont recognizes that South Carolina Code 58-37-20 provides for utility incentives for the operation of cost-effective energy efficiency programs. Piedmont does not request the implementation of any such incentives with respect to the implementation of the three energy efficiency programs attached hereto as Exhibit A but reserves its right to propose such incentives in the future with respect to these programs or alternative programs Piedmont may propose.

10. Piedmont notes that with respect to the implementation of energy efficiency programs similar to those proposed herein in other States, Piedmont has argued that approval of margin decoupling mechanisms are a necessary prerequisite. That approach would be consistent with the language of South Carolina Code 58-37-20 and is consistent with the federal rate design principles articulated in EISA 2007. Nonetheless, Piedmont currently believes that the practical effect of the Rate Stabilization mechanism for natural gas utilities in effect in South Carolina and pursuant to which Piedmont updates its costs and throughput on an annual basis provides sufficient protection against revenue/margin erosion to allow Piedmont to implement energy efficiency programs at this time without the additional requirement to further decouple rates.

11. Piedmont requests prompt approval of the energy efficiency programs attached hereto in order that South Carolina customers can participate in and begin to receive the benefits of such programs as soon as reasonably possible.

WHEREFORE, Piedmont Natural Gas Company, Inc. respectfully requests that the Commission grant authorization for Piedmont to implement the energy efficiency programs attached hereto as exhibit A as soon as reasonably possible and to recover the costs thereof through the rates charged to its customers.

Respectfully submitted, this the 1st day of October, 2009.

PIEDMONT NATURAL GAS COMPANY, INC.

s/ Scott M. Tyler
Scott M. Tyler

OF COUNSEL:

Moore & Van Allen PLLC
100 N. Tryon Street, Suite 4700
Charlotte, North Carolina 28202-4003
Telephone: (704) 331-1000

EXHIBIT A

**Piedmont Natural Gas Company, Inc.
Proposal for Energy Efficiency Programs
South Carolina**

Piedmont Natural Gas plans to spend \$350,000 on an annual basis supporting energy efficiency programs for customers within the Company's South Carolina service territory. During the first year, Piedmont plans to implement a Customer Education Program, Low-Income Energy Efficiency Program and a High Efficiency Equipment Rebate Program.

CUSTOMER EDUCATION PROGRAM

Piedmont will implement a communications campaign focusing on customer energy education, efficiency and conservation messages. Piedmont will spend approximately \$50,000 per year on this program, using a targeted marketing approach within our service territory. Piedmont will communicate the messages to customers through various means such as bill inserts, other print advertisements, radio and/or other available media. Piedmont will also encourage customers to take advantage of the federal tax credits and other incentives available for installing high-efficiency natural gas equipment, such as for water heating and space heating. Some program funding may also be used to sponsor energy efficiency and energy conservation education sessions in local schools.

RESIDENTIAL LOW-INCOME ENERGY EFFICIENCY PROGRAM

The primary purpose of this program is to provide energy efficiency measures and weatherization assistance, through a third-party, to low-income residential customers in Piedmont's service territory. The program is intended to create a more energy efficient and comfortable home environment for the customers served. Piedmont will spend approximately \$150,000 per year on this program.

Piedmont has modeled this program after the Federal Weatherization Assistance program which has been in operation since 1976 and has weatherized over 6.2 million homes with DOE Funds. According to the Department of Energy's Weatherization

Assistance Program, the weatherization program, on average, reduces heating bills by up to 32% and overall energy bills by about \$350 per year. In addition to the actual energy savings, there can be additional benefits to the low-income customer including improved health and safety conditions, and increased comfort for residents.

Piedmont anticipates that the program participants in South Carolina will experience reduced energy usage due to the energy efficiency measures installed in their homes under this program. Based on Piedmont's own experience providing a similar program in North Carolina and the success of the Federal Weatherization Assistance program, these types of programs have been shown to be cost-effective and provide a direct benefit to low-income households.

The target population for this program will be low-income customers dwelling in single-family houses that are served under Piedmont's residential rate schedules (Rate Schedules 201 and 221). Customers who rent single-family homes will be allowed to participate in the program if the homeowner also consents. For the purposes of this program, Piedmont will consider a customer to be "low-income" if their household income is within 200% of the 2009 federal poverty income guidelines as established for the Federal Weatherization Assistance Program. Priority will be placed on providing assistance to those eligible elderly individuals with disabilities, and eligible families with children.

Piedmont will coordinate with the state/local agency who administers the Federal Weatherization Program, to assist us in finding local energy contractors and/or local community action agencies that can help administer this program. Program funds will primarily be used to pay third-party energy contractors and/or local community action agencies to administer the program. In the event that local energy contractors and community agencies are not able to assist, Piedmont will assess the need for modifications to this low-income program.

Program funds may also be used for program development, administration, and for an independent third-party to perform program evaluation, measurement and verification. Direct advertising and customer communications for this program will be handled primarily by the third-party energy contractor administering the program. It is anticipated that only a small amount of the funding will be spent on program advertising and communications, since the third-party energy contractors and local community action agencies are expected to work with local assistance agencies and other organizations in identifying eligible applicants for the program.

The primary energy efficiency measures provided to each program participant will be based on a comprehensive in-home energy audit. The measures to be offered and performed to each program participant may include:

- Sealing major air leaks in floors and ceilings (penetrations, bypasses, chases)
- Insulating attic, side wall, and/or floors
- Sealing and insulating ducts
- Installing programmable/setback thermostat
- Evaluating, cleaning and tuning heating systems
- Installing general heat waste measures (furnace filters, water heater insulation wrap, piping insulation, water-saving devices, and weather-stripping)

Due to safety concerns, a carbon monoxide detector will be installed inside the participant's home if one is not currently installed. An in-home energy education session will also be provided in homes where energy efficiency measures were installed. In the event that an unsafe and un-repairable piece of natural gas equipment is identified within the participant's house, the third-party energy contractor will work with Piedmont to evaluate and determine the best solution. In some cases, the best solution may be to replace the natural gas equipment.

The energy contractor decides, primarily guided by the results of the in-home energy audit, which energy saving measures to install at the participant's home. The energy

audit helps the energy contractor determine which energy saving measures would provide the greatest benefit to the participant. Since each home is unique, the energy contractor must also use his/her best judgment, based on their knowledge and experience, to effectively prioritize the needs for that home and the measures to be installed. The estimated number of annual program participants is between 40 to 60 customers. The amount of energy efficiency measures provided to each participant may range from \$1,500 to \$3,500, and Piedmont anticipates the average cost to be around \$3,000 per home. There will be no direct charge to the participating low-income customers for the services provided.

HIGH EFFICIENCY EQUIPMENT REBATE PROGRAM

This program will provide rebates to Piedmont's residential and commercial customers who purchase and install qualifying high efficiency natural gas equipment.¹ The residential rebates are limited to high efficiency water and space heating equipment only, since water heating and space heating constitutes a large portion of residential energy usage. Commercial customers will be offered a rebate to purchase and install a high efficiency water heater. This program will enable customers to help offset some of the higher cost of choosing a more efficient piece of equipment. This program is intended to help influence a customer to choose a more energy efficient piece of equipment. An upgrade to a higher efficiency water heater or furnace, given consistent usage patterns, will help the program participant achieve recognizable energy savings. The extent of the energy savings will vary for each participant, depending on a variety of factors including their current energy efficiency.

Piedmont may, at its discretion, lower the rebate amounts offered for each category depending upon the extent of customer participation, timing of implementation, and available funding. The flexibility to adjust incentive levels will allow Piedmont to better maximize the results of the program to promote conservation. In developing the program efficiency requirements, Piedmont chose the same minimum required

¹ Inasmuch as this Program is available only to current Piedmont customers who are replacing existing natural gas equipment, it will not be available for use in the context of new construction.

efficiency standards as those set by Energy Star for the corresponding natural gas equipment. The following summarizes the equipment rebates that will be offered and the corresponding equipment efficiency requirements.

Residential Equipment Rebate Summary

	Initial (Maximum) Rebate Amount	Minimum Required Efficiency ²
Natural Gas Storage Tank Water Heater	\$ 50	EF = 0.62 (or higher)
Natural Gas Tankless Water Heater	\$ 250	EF = 0.82 (or higher)
Natural Gas Forced Air Furnace	\$ 300	AFUE = 90% (or higher)

Commercial Equipment Rebate Summary

	Initial (Maximum) Rebate Amount	Minimum Required Efficiency ³
Natural Gas Tankless Water Heater	\$ 250	EF = 0.82 (or higher)

The anticipated total annual cost of this program is approximately \$ 150,000. The following is an estimate of the costs involved with implementing this program.

Program Development and Administration	\$12,500
Communications	\$10,000
Rebates	\$112,500
Evaluation, Measurement & Verification	\$15,000
TOTAL	\$150,000

² EF is the Energy Factor; AFUE is the Annual Fuel Utilization Efficiency

³ EF is the Energy Factor

Piedmont plans to communicate the program to its customers through the use of bill inserts, bill messages, and advertising on its website. Piedmont may also contact equipment manufacturers, distributors, and installers about the program. This program will be available to customers under Piedmont's residential rate schedules (Rate Schedules 201 and 221). Each customer will be required to submit a rebate application, along with proof of purchase and installation of the qualifying equipment. Upon approval of the application, the rebate will be mailed as a check to the customer. In addition to the rebate check, each customer that installed qualified equipment under the program will receive an energy efficiency kit that includes items to help the customer further reduce their natural gas energy usage.

In determining whether this program is cost-effective, Piedmont followed the protocols set by the California Standard Practice Manual, which outlines the benefit-cost tests that are used in evaluating energy efficiency programs. The Total Resource Cost Test and the Utility Cost Test are commonly used by utilities to demonstrate the cost-effectiveness of their programs. The Total Resource Cost Test (TRC), which is typically used by utilities for regulatory program approval, measures the net costs of the energy efficiency program as a resource option based on the total costs of the program, including both the participants' and the utility's costs. The Utility Cost Test (UCT), also known as the Program Administrator Cost Test, measures the net costs of the energy efficiency program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant.

The benefit-cost tests for Piedmont's proposed energy efficiency programs were performed by a third-party consultant. They used an analytical model to estimate the cost-effectiveness pursuant to the California Standard Practice Manual. A test with a value greater than 1.0 demonstrates that, based on the analytical model, the program would be an effective program.

The test results for the Equipment Rebate program are as follows:

Total Resource Cost Test:	1.24
Utility Cost Test:	1.97

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Petition* is being served this date via email and UPS Overnight (5 copies) upon:

Florence P. Belser
Jeffrey M. Nelson
Office of Regulatory Staff
1401 Main Street
Suite 900
Columbia, South Carolina 29201
fbelser@regstaff.sc.gov
jnelson@regstaff.sc.gov

And that a copy of the attached *Petition* is being served this date via email and U.S. Mail upon:

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
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Pia Powers
Manager, Regulatory Affairs
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pia.powers@piedmontng.com

This the 1st day of October, 2009.

s/ Scott M. Tyler
Scott M. Tyler